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SUBJECT: BABIL BUSINESS CONFERENCE: AN OPPORTUNITY FOR "NEW
CONVERSATIONS"

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11. (U) Summary: Babil PRT held a Business Environment Conference February 26 to develop an Iraqi-led process to help guide and inform the work of both the PRT and those entities involved in the province's business environment. It was the largest conference ever held at the PRT and included over 50 guests, ranging from provincial council members to the heads of local business associations to academia. Participants identified the key obstacles to business development as access to credit, weak infrastructure, lack of protective tariffs, lack of economic data, poor quality control, and corruption. The PRT will help organize a follow-up conference at which key Iraqi stakeholders will develop an action program to implement solutions to common obstacles. End Summary.

Iraqis Identify Business Obstacles

12. (U) Babil PRT held a Business Environment Conference February 26 to help Iraqi stakeholders identify obstacles to progress in the business environment. The conference brought together over 50 Iraqi business environment stakeholders, including ten business associations, economic NGOs, public and private sector banks, provincial investment commission members, university professors, leading private businessmen, and Provincial Council (current and future) members engaged in economic issues. The PRT hosted the conference and facilitated discussions (all held in Arabic). The ultimate goal of the conference was to create a process that will lead to a public-private partnership identifying and implementing solutions to obstacles through an Iraqi-driven action program.

13. (U) The morning started with organizations introducing themselves and describing the work they did related to the business environment. Two three-person panel discussions followed: one on access to various types of credit and one on how the government and private sector can collaborate to create jobs. After lunch the participants broke into four pre-selected working group -- to ensure good cross-sector representation in each group -- to identify and rank the key obstacles facing the Babil business community. Trained LES facilitators lead discussions aimed at identifying these key obstacles.

14. (SBU) The discussions made it clear that many business leaders still look to the state for solutions. They blamed the GOI for failing to enact high tariffs on imported goods, create necessary infrastructure, enforce quality control standards, support foreign investment and provide adequate data on the business environment. In calling on the government to enact higher tariffs on imported goods, one factory owner claimed that Iraq was "in an economic war" with foreign imports. Still, Fadil Ubaid Helal, owner of a large shopping center, told the PRT that the only Iraqi good he sells is rice because the quality of Iraqi goods is simply too low.

Financing Woes Top the List

15. (U) All four working groups only agreed on one item as a key obstacle to development of the business environment: lack of credit and the inadequacy of the banking system. The other key obstacles identified included weak infrastructure (three groups), lack of protective tariffs (three groups), lack of economic data (two groups), poor quality control (two groups), and corruption (two groups).

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16. (SBU) Participants had a lively morning discussion on credit. Numerous business association members and private businessmen lamented the challenges of receiving financing from Iraqi banks -- but Iraqi bankers were quick to defend themselves and place the blame on the unpreparedness of potential borrowers. Waqas Ali, the local head of the USAID private sector development program INMA, cited the challenges of opening a bank account as one of the greatest obstacles to the establishment of more business associations. Layla Adnan, the Bank of Baghdad's regional manager, took to the podium before her scheduled panel-discussion to fiercely defend bank practices. Adnan's rebuttal, later echoed by other participants in a bankers' roundtable, was that most potential Iraqi borrowers were "clueless" about the requirements for securing a bank loan. She argued that businesses were "illiterate about credit," and lacked basic business plans that demonstrated that loans were for profitable business ventures.

17. (SBU) Majeed Flaifl, the head of the public Al-Rafidain bank and an incoming PC member on the short-list of candidates for governor, echoed Adnan's frustration with the quality of loan applications, but did not shy from acknowledging weaknesses in the public banking system. Flaifl agreed that "the performance and efficiency of government banks has not been acceptable. ~Banks should support private investment and we are not doing that." He urged participants at the conference to make suggestions to him, either directly or through the Chamber of Commerce, about how to improve the process of bank lending.

18. (SBU) Both during and after the event participants expressed enthusiasm for having a forum in which to discuss private sector development; it was clear that many of the participants either had not met or do not meet on a regular basis. Participants consistently told the PRT and each other that the conference created an opportunity for "new conversations." The excited buzz during the working group sessions was the best proof that the discussion format engaged Iraqis. PIC Deputy Chairperson and Economic Committee chairperson Amirah Bakery praised the conference and promised that the outcome would help guide her work as chairperson of the Economic Committee in the Provincial Council.

Next Steps

9.) (U) The conference produced a commitment on the part of participants to engage in public-private partnerships to improve the business environment. Babil PRT looks to help facilitate this process in a number of ways. A comprehensive report on the conference will be prepared and distributed to participants, highlighting significant impediments to doing business. Based on conversations with participants, the next step will be a follow-up conference at which Iraqis will collectively identify potential solutions to obstacles and develop an Iraqi-driven action program for implementing such solutions. Finally, Babil PRT reported on its experience at an MND-C hosted Jobs Creation Conference at Camp Victory and we are willing to share our experiences with other PRTs interested in undertaking a similar effort

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